

Message Text

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ACTION XMB-04

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FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 7076

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TAGS: BPRO PN

SUBJ: EXIMBANK BANK GUARANTEE FOR SALE OF MOTORGRADERS AND
LOADERS TO MINISTERIO DE OBRAS PUBLICAS, PANAMA

REF: STATE 51674

1. FROM CONVERSATIONS WITH PANAMA GOVERNMENT (GOP) AND TRADE
SOURCES IT IS APPARENT THAT KNOWLEDGE OF CONSIDRATION PURCHASE
80 EACH MOTORGRADERS AND LOADERS HAS BEEN CLOSELY HELD AT
HIGHEST LEVEL IN GOP. MINISTERIO DE OBRAS PUBLICAS (PUBLIC
WORKS MINISTRY -- MOP) VICE MINISTER FERGUSON SAID HE NOT INFORMED
BUT WOULD DISCUSS WITH MINISTER AND ADVISE EMBASSY.
HE LATER INDICATED SUCH A PURCHASE HAD BEEN UNDERTAKEN AND
OFFERED MEET WITH EMBOFF, MARCH 15. RESULTS OF THIS MEETING
WILL FOLLOW SEPARATELY WHEN AVAILABLE.

2. EQUIPMENT DEALERS EITHER UNINFORMED OR UNWILLING
DIVULGE INFORMATION ON SUCH A LARGE PURCHASE. DEALERS
ESTIMATE PRESENT NUMBER OF ROAD GRADERS IN SERVICE WITH GOVERNMENT
AGENCIES AT 120, ABOUT 70 OF WHICH SOLD IN PAST FIVE YEARS
TO MOP. NO RELIABLE ESTIMATE OBTAINABLE OF PRIVATELY-
OWNED GRADERS. NUMBER OF GOP-OWNED LOADERS BELIEVED SOMEWHAT
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LESS THAN 100. THUS, PURCHASE OF BOTH ITEMS IN MAGNITUDE

GIVEN REFTTEL SEEMS RELATIVELY LARGE.

3. FROM STANDPOINT OF CONSTRUCTION AND MAINTENANCE EQUIPMENT REQUIREMENTS ON PANAMA'S 4,450 MILES OF IMPROVED ROADS, PURCHASE OF THIS SIZE PLAUSIBLE. AT RATIO ONE GRADER PER 20 MILES COUNTRY, WOULD NEED 225 UNITS. PANAMA IN MIDST, ALSO, OF \$100 MILLION RURAL PENETRATION ROAD PROGRAM FIANCED LARGELY BY INTER-AMERICAN DEVELOPMENT BANK (IDB). MOST RECENT IS NEW \$30 MILLION IDB LOAN FOR 134 MILES OF RURAL ROADS. ADDITIONAL NEEDS ARISE FOR MAINTENANCE ON 130 MILES OF INTER-AMERICAN HIGHWAY TO BE COMPLETED IN BAYANO-DARIEN AREAS IN EASTERN PANAMA DURING NEXT TWO YEARS. MAINTENANCE REQUIREMENTS RELATIVELY GREAT DUE HEAVY RAINFALL MOST AREAS.

4. MOP ALLOCATED \$59 MILLION FOR NEW ROADS AND \$17 MILLION FOR ROAD MAINTENANCE IN 1976 BUDGET RELEASED JAN 1976. WHILE TOTAL IS SUBSTANTIAL, IT IS NOT APPARENT FROM BUDGET ON WHAT SPECIFIC PROJECTS SUBJECT EQUIPMENT TO BE USED.

5. IT IS DIFFICULT FOR EMBASSY TO EVALUATE MOP ABILITY ATTAIN HIGH UTILIZATION OF AND PROPERLY MAINTAIN SUCH LARGE EXPANSION ITS EQUIPMENT. FOLLOWING FACTORS WOULD INDICATE, HOWEVER, THAT PANAMA LIKELY HAVE AVERAGE OR BETTER CAPABILITIES THESE AREAS COMPARED WITH OTHER EMERGENT COUNTRIES: A) ASSOCIATION WITH US CONTRACTORS ON INTER-AMERICAN HIGHWAY PROJECTS IN PAST 10 YEARS; B) EVEN LONGER ASSOCIATION PANAMA FIRMS AND ENGINEERS WITH CANAL CO. AND US ARMED FORCES ENGINEERS ON CANAL ZONE PROJECTS; C) PRESENCE OF RELATIVELY LARGE AND WELL-EQUIPPED AND SUPPLIED HEAVY EQUIPMENT DEALERSHIPS IN PANAMA.

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